

The 5 Worst Holiday Gotchas

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Avoid bank and retailer fees and other big money wasters this year.

Holiday time is tough enough on your budget. You don't want to spend more than you planned because a retailer or credit-card company came up with some tricky way to squeeze more money out of you. Well, you can beat the system! You just need to know where to look for these sneaky shopping traps.

Trap No. 1

Hidden debit-card fees

Whipping out your debit card to pay for holiday goodies probably seems like a budget-friendly idea because the cash is immediately withdrawn from your account. No need to worry about paying interest on a credit card or fees for bounced checks. But using a debit card could end up costing you a lot more than you'd think. In the past banks would reject a debit purchase that was more than the amount you had in your account. But many banks now process the purchase-and then hit you with an overdraft fee. Those charges range from \$25 to \$35 at 16 of the largest banks, according to a July Consumer Federation of America survey. If you buy several gifts in one day and use your debit card to pay for gas, groceries, and lattes, you could be hit with multiple fees. In September, Bank of America, JPMorgan Chase, and Wells Fargo announced plans to lower or eliminate overdraft fees. Let's hope other banks will follow suit.

Dodge it! Use a credit card for large purchases, especially if you pay the full balance each month. Credit cards give you a lot more protection than other forms of payment if your account number falls into the wrong hands or if you have a legitimate beef with a seller and want to dispute a charge. Use a debit card only for small purchases if you're relatively certain you won't need the extra protection a credit card provides and you're sure you won't go over your balance.

Trap No. 2

Phony sales

Many highly promoted "door buster" sales, particularly ones that take place on Black Friday (the day after Thanksgiving) and the following Cyber Monday, offer deep discounts on hot-ticket items. Black Friday has earned the reputation as a bargain-hunter's dream because retailers feature a limited quantity of high-profile, attention-grabbing toys or electronic items at or below cost to draw you in, hoping you'll also purchase lots of full-price merchandise. There's a more deceptive version of deep-discount sales, though: An item is advertised at a superlow price on a Web site, but it's a phony come-on. The goal is to get you to buy something else and spend much more. If you try to buy just the sale item, you'll often find that the retailer cancels the sale, claims the product has been back-ordered for months, or sends you lower-quality merchandise or items that you never ordered. Returns can be difficult, if not impossible.

Dodge it! To protect yourself when you're shopping online, be wary of unrealistically low prices. Don't make a purchase if you're pressured to buy additional products or services. To be supersafe, stick with merchants you know. Also, follow these other tips:

- If you go to a door-buster sale, don't buy other items in the store unless you have done the research ahead of time and know they're a good deal.
- Don't worry about missing a one-day sale. It's very likely that another supersale will come along. Last year we found plenty of so-called one-day sales that were extended.
- If someone on your list wants this year's hot item, hit the stores as soon as you can. Go early to beat the crowds or try online. Last year we found that online retailers sometimes offered special savings early in the morning.

Trap No. 3

Unnecessary warranties

This holiday season, shoppers are expected to spend more than a billion dollars on extended warranties. Appliance and electronics retailers push shoppers to buy extended warranties or service plans because the store keeps 50 percent or more of what they charge for them. That's much more than they can make just selling the products. But extended warranties are notoriously bad deals because some repairs are already covered by the standard manufacturer's warranty that comes with the product. And our data show that products seldom break within the period the extended warranty covers -- after the standard warranty has expired and within two to three years of purchase. When electronics and appliances do break, the repairs, on average, cost about the same as an extended warranty.

Dodge it! Our decades of brand research have shown that products are reliable enough that we don't think you need extended warranties. But if you'd like the peace of mind an extended warranty can provide, you might be able to get similar coverage by charging the item on a credit card. Check your card agreement; some cards, especially gold and platinum ones, lengthen the original manufacturer's warranty by as much as one year. If you can't rely on your card's additional coverage, channel your inner Scrooge. Get the cheapest deal you can on an extended warranty by including the cost of one in your price comparison. Always try to negotiate a better deal. And don't pay more than 20 percent of an item's purchase price for any warranty.

Trap No. 4

Gift-card charges

Sure, buying gift cards can shorten your holiday shopping time. You don't have to rack your brain to come up with an appropriate gift for the hard-to-please folks on your list or spend hours hunting for whatever present you settle on. But we advise shoppers to avoid gift cards. Some come with purchasing and processing fees, expiration dates, transaction fees, and inactivity fees that unfairly diminish their value over time. And the recipient could end up with a worthless piece of plastic if a company goes out of business or files for bankruptcy protection after you buy its card. There's also a good chance your card will not be used. A quarter of the people we surveyed last November still hadn't used a gift card they received during the previous holiday season.

Dodge it! In one bit of good gift-card news, American Express announced in September that it would no longer impose fees on its gift cards -- but it will still charge you \$3 to \$7 to buy one. Consider giving cash instead of any gift cards issued by credit-card companies, banks, or malls. If you do buy a gift card, stick to those issued by retailers, which are relatively free of expiration dates and pesky fees.

Trap No. 5

Return fees

Many electronics items, especially cameras, camcorders, computers, monitors, printers, scanners, projectors, PDAs, and GPS devices, are subject to a 15 to 25 percent restocking fee if they are returned opened or if they're not in a factory-sealed box. If you return a refurbished item, it might be subject to a restocking fee, too. You might even be charged a 15 percent restocking fee for some appliances, tools, and lawn-and-garden products if you don't return them in their original packaging. Merchants can't resell as new any item after the package has been opened, so they penalize you for opening it.

Dodge it! Don't open the package if you don't want what's inside. Items like computer software, music CDs, and movie DVDs aren't generally returnable for another title after the seal has been broken. But if you do break a seal, some stores will give you a partial refund of a restocking fee if you ask. You should not have to pay a restocking fee if the item was defective when you unwrapped it. And always find out about a store's return policy before you buy. Things like restocking fees and limits on what you can return vary among retailers, and some retailers have a different policy online than they do in their stores.

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